

**North Carolina General Assembly
Joint Health and Human Services Oversight Committee**

**Local Management Entity (LME) Governance Subcommittee
January 24, 2012**

Issues

- **Session Law 2011-264 directs the statewide expansion of the 1915 (b)(c) Medicaid Waiver for Mental Health, Developmental Disabilities and Substance Abuse Services**
- **This brings about a significant change in the role of the LMEs as they assume a Medicaid managed care organization (MCO) function**
- **LMEs will be moving from a fee-for-service system to an “at-risk” operational environment**
- **The LME system will be reducing from 23 to 10-12**
- **Service area population size is projected to be between 511,122 to 1,390,537**
- **Counties served within each LME will range from 1 to 19 with 7 LMEs covering 8 or more counties**
- **Article 4 of Chapter 122C comprises the primary set of state statutes governing the operation of the LMEs. These statutes when enacted did not account for a system of Medicaid managed care on a capitated at risk basis, but rather for a system of local government entities that operate on fixed, administrative budgets and whose function is to manage appropriated funds on behalf of the state and counties**
- **The behavioral health system has advanced since the inception of these statutes in areas of financing, technology, outcomes measurement and best practices.**

Subcommittee Goal

- **To identify and address the statutory limitations of 122C and related statutes that may provide barriers to the successful operation of the (b)(c) Medicaid Managed Care Waiver**

Relevant Facts

- **SL 2011-264 sets in law that the state will continue to expand the 1915 (b)(c) Medicaid Waiver with full, statewide operation by July 2013**
- **SL2011-264 directs that the LMEs may operate the (b)(c) waiver in NC and includes a number of directives for the expansion of this Waiver and the related operation of the LME/MCOs**
- **SL 2011-264 provides that the counties will be exempt from all liability in the operation of the (b) (c) Waiver. The LMEs are “at-risk” for operation within their capitated allocations. The state holds the ultimate liability.**
- **The 1915 (b)(c) Waiver is operated in NC by virtue of the permission of the federal Centers for Medicaid and Medicare (CMS) to allow the State to manage federal Medicaid dollars outside the parameters set in the federal Social Security Act. This permission is contingent on adherence to assurances provided by the State in the Waiver application**
- **The DHHS has entered into contracts with qualified LMEs to operate the (b)(c) Waiver based on the LMEs ability to operate in compliance with both the requirements of CMS and SL2011-264**
- **In addition to the management of the Medicaid dollars, the LMEs will continue to manage allocations from the state and county for the purpose of delivering service to those in their catchment areas**
- **Medicaid will comprise about 80% of the budgets of the LME/MCOs.**
- **County contributions to LME/MCOs average about 5 to 8%; these include in-kind contributions of building space, equipment etc. Beginning with legislation passed in 2007 and phased out over two years the counties no longer provide any share of Medicaid match.**
- **Appropriated state dollars and federal block grants comprise the remaining amounts of the LME/MCOs budgets**
- **Currently, 122C directs that “ a county shall provide mental health, developmental disability and substance abuse services through an area authority or through a county program established pursuant” to statute**

Potential Barriers at Issue

- **LME/MCO Board Size, Composition and Board Terms**
- **LME/MCO Formation and Dissolution**
- **Responsibility for MH/DD/SA Services**
- **Powers of the LME/MCO**
- **Personnel**
- **Ownership of Real Property and Intellectual Property**
- **Business and Reporting Requirements**
- **Guardianship**